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Date:	Thu, 2/9/2012 9:40:16 PM
Subject:	BoE injects 50 bln pounds more to support recovery

BoE injects 50 bln pounds more to support recovery

LONDON, Feb 9 (Reuters) - The Bank of England voted to inject another 50 billion pounds into the financial system as part of its efforts to shore up a fragile recovery in the economy, which remains at risk of slipping back into recession.

The central bank left its key interest rate at a record low of 0.5 percent, and as expected said it would buy another 50 billion pounds of assets - mostly government bonds - with freshly printed money.

The cash boost will be welcome news for the government, which has come under pressure again to loosen its austerity drive after the economy shrank at the end of 2011 and unemployment hit its highest level in more than 17 years.

The BoE surprised markets in October by deciding to restart its programme of gilt purchases funded earlier than expected, going on to buy 75 billion pounds' worth of gilts over four months, largely to shield Britain from the euro zone crisis.

This time around, a majority of analysts polled by Reuters had pencilled in a 50 billion pound injection over three months.

Some economists had seen the possibility of another 75 billion pound injection, though most scaled back their forecasts after central bankers' cautious comments and upbeat economic news in the run up to the decision.

Britain's recovery from a deep slump during the 2008-2009 financial crisis has been weak so far, and the contraction of the economy in the final quarter of 2011 stoked fears of a renewed recession.

But recent surveys indicated that manufacturers and service firms made a surprisingly strong start to the year, and on Thursday data showed that industrial production already rebounded in December from the slump in the previous months.

In addition, the European Central Bank's long-term liquidity operation in December eased banks' funding strains and associated money market tensions.

VOTE SPLIT?

With the government's hands tied by its pledge to erase the country's huge budget deficit over the next five years, the onus to boost the faltering economy is firmly on the central bank, though doubts about the impact of its easing continue to linger.

BoE policymakers have been guarded about their voting intentions, with only long-standing QE advocate Adam Posen saying he was leaning towards another 75 billion pound boost.

BoE Governor Mervyn King said in mid-January that the drop in inflation was providing scope for further stimulus if needed. The MPC will base its decision on a fresh set of inflation forecasts, to be presented in the Inflation Report next week.

Inflation fell from the three-year peak of 5.2 percent in September to 4.2 percent in December, and policymakers such as

David Miles have voiced confidence that it will dip below the BoE's 2 percent target later this year, as predicted in November.

However, BoE chief economist Spencer Dale in particular has warned against the risk of a slower decline in inflation, which has made him economists' prime bet for a dissenting vote against more easing. The minutes from the two-day meeting will be released in two weeks.

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Alerts History

Today 14:00 - BANK OF ENGLAND SAYS QE ASSET PURCHASE TOTAL TARGET IS 325 BLN STG (REUTERS POLL 325 BLN STG)